

**S-E-C-R-E-T**

ANALYSIS OF DESIGNATION OF PARTICIPANTS  
UNDER SECTION 203 OF THE CIA RETIREMENT ACT

25X1



December 1983

**S-E-C-R-E-T**

S-E-C-R-E-T

## C O N T E N T S

	<u>Page</u>
Part I. INTRODUCTION.....	1
Why this Study was Made.....	1
Scope of this Report.....	3
How the Study was Conducted.....	4
How the Report is Organized.....	4
Part II. WHAT HAPPENED DURING FISCAL YEAR 1983.....	5
CIA Retirement Board.....	6
Qualifying Service Used in Current Retirements.....	10
TABLE A - Non-Disability Retirees by Qualifying Service.....	13
TABLE B - Months of Domestic Service Approved as Qualifying.....	14
TABLE C - Months of Qualifying Service by Type.....	15
Changes in CIA Retirement Act.....	16
Central Intelligence Agency Spouses Retirement Equity Act of 1982.....	18
Social Security Amendments of 1983.....	20
Executive Orders.....	23
Agency Regulations.....	24
Part III. STATISTICAL DATA.....	25
Participation in CIARDS.....	25
Designations and Removals.....	26
CIARDS Participation.....	27
CIARDS Retirement Eligibility.....	27
Retirements in Fiscal Year 1983.....	28
Retirements from 1965 to 30 September 1983.....	29
Qualifying Service.....	30
Age Comparisons.....	31
Tables	
1. Participation in CIARDS.....	32
2. CIARDS designations and Removals.....	33
3. CIARDS Participation.....	34

S-E-C-R-E-T

S-E-C-R-E-T

4.	<u>CIARDS Retirement Eligibility.....</u>	34
5.	<u>Retirements by Source.....</u>	35
6.	<u>Retirements by Attained Age.....</u>	36
7.	<u>CIARDS Retirements by Total</u>	
	<u>Federal Service.....</u>	37
8.	<u>Employees retired under CIARDS</u>	
	<u>at Age 50, by Years of Service.....</u>	38
9.	<u>CIARDS Retirements and Deaths in Service.....</u>	39
10.	<u>Civil Service Retirements.....</u>	40
11.	<u>Total Retirements by System.....</u>	41
12.	<u>Average Age of Retirees.....</u>	42
13.	<u>Retirements by Age Groups.....</u>	43
14.	<u>Retirements by Grade.....</u>	44
15.	<u>Percent of GS Retirements at GS-12</u>	
	<u>and Above.....</u>	45
16.	<u>Non-Disability CIARDS Retirees by Type of</u>	
	<u>Qualifying Service.....</u>	46
17.	<u>Months of Domestic Service Approved</u>	
	<u>as Qualifying.....</u>	46
18.	<u>Non-Disability CIARDS Retirees by Months</u>	
	<u>of Qualifying Service.....</u>	47
19.	<u>Age and Grade Comparisons.....</u>	48
20.	<u>Age Group Comparisons.....</u>	49
21.	<u>Operations Career Service Personnel.....</u>	50
22.	<u>Comparative Age Distribution.....</u>	51
Part IV.	<u>FINDINGS AND CONCLUSION.....</u>	52
	<u>Findings.....</u>	52
	<u>Conclusion.....</u>	54

S-E-C-R-E-T

## S-E-C-R-E-T

## PART I

## INTRODUCTION

WHY THIS STUDY WAS MADE

25X1 This, the eighth in a series of annual reports to Congress, is primarily a review of the manner in which the Agency exercises its discretion to designate employees for participation in the Central Intelligence Agency Retirement and Disability System.

25X1 CIARDS began with a law in 1964<sup>1</sup> which authorized the Director of Central Intelligence to establish and maintain a retirement system for some of the employees of the Agency. That law gives the Director discretion to decide which employees will be designated for participation. He does not have total discretion, but must make his decisions within broad general guidelines contained in the law and made somewhat more specific by regulations issued by the Agency.

25X1 Employees qualify for participation in CIARDS by performing at least sixty months of service which meets established criteria. All overseas service is qualifying for participation, regardless of the location of employment or the type of duties performed. For this purpose, overseas means any place outside the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

Domestic service may be qualifying, but only if it:

1. Involves a substantial risk to the life or health of the employee;
2. Requires the continued practice of tradecraft for the purpose of maintaining personal cover; or

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1. Central Intelligence Agency Retirement Act of 1964 for Certain Employees, 50 U.S.C. 403.

S-E-C-R-E-T

- 1 -

## S-E-C-R-E-T

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3. Is so specialized or sensitive that security regulations will probably prevent the employee from obtaining employment outside the Agency in his or her field of qualification.

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A reading of the transcripts of hearings that preceded enactment of the CIA Retirement Act in 1964 makes clear that both the Agency and the Congressional Committee intended that CIARDS would not apply to all employees of the Agency. While the law did not fix any limits, it was generally understood that about one fourth to one third of Agency employees would participate in the new retirement system.

In 1976 the Armed Services Committee of the House of Representatives held a series of hearings on a then pending Bill, H.R. 13615. During those hearings, some of the Committee Members expressed concern that the Agency might be designating employees for participation in CIARDS using policies more liberal than Congress intended. It has never been clear how this doubt arose, but in its report on H.R. 13615 the Committee expressed its concern and directed the Agency to make studies and to submit annual reports, using the following language:

"When the CIA Retirement Act was originally considered by Congress in 1964 particular attention was focused on section 203 of the Act, which authorizes the Director to designate 'such Agency officers and employees whose duties are determined by the Director to be (i) in support of Agency activities abroad hazardous to life or health or (ii) so specialized because of security requirements as to be clearly distinguishable from normal government employment, hereafter referred to as participants, who shall be entitled to the benefits of the system'. Essentially that provision was the basis for creating a separate retirement system and it was the intent of Congress that this system should apply to the relatively small percentage of Agency employees who were actually subjected to these very special hazards.

S-E-C-R-E-T

## S-E-C-R-E-T

"During the course of consideration of this legislation there have been indications that in recent years there may have been deviations on the part of the Agency in administering this separate system from a strict application of the provisions of section 203 in designating officers and employees as participants in the CIA Retirement system in line with the original intent of Congress when that system was created.

"Accordingly, in the exercise of its oversight function the Committee has directed that the CIA conduct a careful analysis of the application of the qualifying provisions of section 203 of the CIA Retirement Act in designating participants with reference to the special circumstances justifying their inclusion, and that the results of such analysis be reported to the Committee by the Director of Central Intelligence not later than October 1, 1976, and on an annual basis thereafter."

25X1 Reports of the first and second annual studies were submitted to the House Armed Services Committee. Subsequent reports, including this one, are intended for the House Permanent Select Committee on Intelligence, which now has jurisdiction over the Central Intelligence Agency. This Committee has expressed its intention that the Agency continue its annual studies and reports.

SCOPE OF THIS REPORT

25X1 This study and report are for the fiscal year that began 1 October 1982 and ended 30 September 1983. The primary purpose of the study is a review of all actions involved in the designation of Agency employees for participation in CIARDS and an analysis of whether the Agency is exercising its discretion in compliance with the law and the regulations and consistent with established Agency policies.

25X1 Statistical tables are used to show the end results of the Agency's determinations. These tables clearly reflect how the Agency has carried out the intent of Congress that CIARDS be maintained as a retirement system for a limited number of employees.

S-E-C-R-E-T

**S-E-C-R-E-T**

25X1 The report also includes brief coverage of some of the events that occurred during the fiscal year that will affect administration of CIARDS.

HOW THE STUDY WAS CONDUCTED

25X1 The Agency facilitated this study by extending cooperation at all organizational levels and by giving the writer unrestricted access to all files, records, and other information bearing on the Agency's administration of CIARDS.

25X1 The verbatim transcripts of all meetings of the CIA Retirement Board provided a basis for evaluation of the Board's actions during the fiscal year. Individual case records and other files were inspected and reviewed.

25X1 Statistical results of the year's activities were studied and analyzed in terms of the extent to which the Agency is complying with the law, the regulations, its own established policies, and the intent of Congress.

HOW THE REPORT IS ORGANIZED

Following the pattern established in earlier annual reports, this report is divided into the following:

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PART I	INTRODUCTION
PART II	WHAT HAPPENED DURING THE YEAR
PART III	STATISTICAL DATA
PART IV	FINDINGS AND CONCLUSION <input type="text"/>

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## PART II

## WHAT HAPPENED DURING FISCAL YEAR 1983

There were no changes in the law, the regulations, or Agency policy during the year that will affect the exercise of discretion to designate employees for CIARDS participation. There were no changes that will alter the rules for approving service as qualifying. [REDACTED]

The percentage of Agency employees who are CIARDS participants is down, but the total number is up. As of 30 September 1983, there were [REDACTED] CIARDS participants, which is [REDACTED] percent of the total Agency strength. More than half of all Agency employees who retire do so under CIARDS. [REDACTED]

The Central Intelligence Agency Spouses' Retirement Equity Act of 1982 has been put into effect in highly commendable fashion. Two former spouses are currently receiving benefits and another 14 have qualified as "former spouses" and will probably receive benefits when the Agency employee to whom each was married retires or dies. [REDACTED]

The Social Security Amendments of 1983 mandate Social Security coverage for employees hired on or after 1 January 1984. This change will have far-reaching effects on the future of CIARDS. [REDACTED]

The pages that follow carry more details on these and other happenings during the year. [REDACTED]

S-E-C-R-E-T

- 5 -



**S-E-C-R-E-T**CIA RETIREMENT BOARD

25X1 The Director of Central Intelligence is charged by law with responsibility for administration of the Central Intelligence Agency Retirement and Disability System. The designation of Agency employees for participation in CIARDS is an important part of this responsibility.

25X1 The DCI has delegated to the Director of Personnel authority to act for him in most areas of administration of CIARDS. The Director of Personnel, with due regard for the law, the regulations, and established Agency policies, must (a) decide what service of employees is qualifying for participation in CIARDS, (b) designate employees for participation, and (c) approve retirements under CIARDS.

25X1 The CIA Retirement Board, which was established shortly after CIARDS was authorized by the 1964 law, reviews the facts and circumstances in each individual case and submits a recommendation to the Director of Personnel for his decision.

25X1 A Chairman and the four other members of the Retirement Board are appointed by the Director of Personnel. Each member is a senior official of the Agency, and each represents a Directorate

25X1 Staff services to the Retirement Board are supplied by a Legal Advisor, a Technical Advisor, an Executive Secretary, and a Recording Secretary, each of whom attends Board meetings but does not have a vote. The Recording Secretary produces a verbatim transcript of the proceedings of each meeting. The Executive Secretary prepares an agenda for each meeting, presents items for Board discussion and action, and prepares minutes after each meeting.

**S-E-C-R-E-T**

**S-E-C-R-E-T**

A typical agenda would include (1) a review of the minutes of the previous meeting, (2) a list of Agency employees who have been nominated for CIARDS participation on the basis of at least 60 months of overseas service, (3) a list of CIARDS participants who have requested retirement, and (4) the individual cases of one or more employees who have requested approval of  service as qualifying for CIARDS purposes.

The first three of the above agenda items take very little of the time or effort of the Board. Most of the time and effort are directed toward consideration of whether domestic service is qualifying under the law and the regulations. Each period of service of each employee is considered individually, but it is extremely helpful to know how the Board has acted in prior cases where the service was similar. For example, if the Board in an earlier case has recommended approval of a particular type of service in a particular project after spending hours in one or more meetings gathering and considering all the facts, its decision in a current case can be made much easier than would be possible in a case of first impression.

It is extremely important that the Board, when deliberating an individual case, be aware of Agency policy as it has been developed over the years by decisions in precedent cases. This awareness is facilitated when the Executive Secretary, in presenting cases for consideration, can also inform the Board of the names of employees whose similar services have been approved as qualifying, or disapproved as the case may be. It is also helpful when the Board, in its collective memory, remembers earlier deliberations. The verbatim transcripts of Board meetings are always available to refresh the

**S-E-C-R-E-T**

- 7 -

## S-E-C-R-E-T

25X1 recollections of members who were involved in a decision, or to educate new members as to how particular policy positions were arrived at.

25X1 It should not be assumed that all decisions reached by the Board since 1964 have been perfect, or sacred, or that they should never be questioned or changed. On the contrary, it is a sign of a continuing interest and vitality when a Board member questions a precedent and brings about a review that results in a reaffirmation or a modification of Agency policy. However, the administration of CIARDS could deteriorate rapidly if the Board were to act without an awareness of precedent cases and in so doing bring about changes in Agency policy without knowing that policy was being changed. In the extreme, Agency  
25X1 policy with respect to determining what  is qualifying for CIARDS could become whatever the Board decides from one meeting to  
25X1 the next. Employee morale would suffer if  one employee was approved as qualifying and almost identical service of  
25X1 other employees was disapproved.

25X1 The writer has found no indication that any case has been decided by the Board without an awareness of precedents and existing policy, or that existing policy was violated or changed either intentionally or otherwise during the past fiscal year. The preceding paragraphs are intended solely as a cautionary note, of particular importance at this  
25X1 time because of recent changes that affect the Retirement Board.

25X1 During the year that ended 30 September 1983, the Executive Secretary, who had served the Board for many years, retired and was replaced. The Chairman of the Retirement Board, who had served in that capacity for the past ten years, and three other members of the Board were also replaced. The one remaining member was appointed in  
25X1 April of 1981.

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It will be a challenge for a five-member Board which has lost four of its members and its Executive Secretary in less than a year to retain a real sense of institutional memory. The continuing services of the Legal Advisor and the Technical Advisor, and an extra measure of effort and diligence by the new Executive Secretary, can help to meet that challenge. [REDACTED]

At the present time the Director of Personnel and four members of the CIA Retirement Board are participants in CIARDS. The fifth member of the Board is in the Civil Service Retirement System. [REDACTED]

During the fiscal year ending 30 September 1983, the CIA Retirement Board made recommendations that resulted in the following:

[REDACTED] designations for CIARDS participation

[REDACTED] CIARDS retirements. [REDACTED]

A reading of the verbatim transcripts of the seven Board meetings during the fiscal year and a review of selected individual cases indicate that, without exception or deviation, the Board continues to adhere strictly to the law, the regulations, and established Agency policy. [REDACTED]

**S-E-C-R-E-T**

S-E-C-R-E-T

QUALIFYING SERVICE USED IN CURRENT RETIREMENTS

Criteria for determining what service is qualifying for designation and retirement under CIARDS are spelled out in Agency Regulations  which now reads as follows:

"(12). "Qualifying service," for purposes of designation and continued participation, means performance of duty as an Agency employee:

- (a) When assigned either PCS or TDY to any place outside the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam;
- (b) Which in support of Agency activities abroad requires a substantial risk to the life or health of the employee;
- (c) Which requires the continued practice of trade-craft under conditions of most stringent security for the purpose of maintaining personal cover in support of Agency activities; or
- (d) Which, when retirement is imminent, is adjudged to have been so sensitive or so specialized that security requirements forbid disclosure of this duty and that as a result, it is unlikely the employee will be able to obtain employment for which otherwise qualified."

In 1979 the House Permanent Select Committee on Intelligence requested that the Director of Central Intelligence supply that Committee with "annual summaries of CIARDS retirements which are not based solely on overseas service." The Director agreed to comply, and annual summaries for this purpose have been included in this report. The summary for the

S-E-C-R-E-T

- 10 -

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**S-E-C-R-E-T**CHANGES IN THE CIA RETIREMENT ACT

25X1 The "Central Intelligence Agency Retirement Act of 1964 for Certain Employees" authorized the establishment of CIARDS and spelled out its benefits and obligations. Until 1976 the only way this Act could be changed was by enactment of a new law specifically amending the 1964 Act

25X1 The great majority of Federal employees, including about 80 percent of Agency employees, are members of the Civil Service Retirement System. Until 1976 most changes in the retirement policies of the Government were enacted first as amendments to the Civil Service Retirement Act, and later as amendments to the smaller retirement systems. Delays in obtaining legislation for the smaller systems complicated administration, and caused hardships because of retroactive application of provisions.

25X1 The process was greatly simplified in 1976 when the Congress enacted Public Law 94-522, which authorizes the President to issue an Executive order to conform CIARDS to similar provisions of CSR each time the Civil Service Retirement Act is amended. Amendments to CIARDS by Executive order have the same effective dates as the provisions enacted by Congress to amend CSR.

25X1 The process of amending CIARDS usually occurs in three steps. First, the Civil Service Retirement Act is amended by Act of Congress. Next, the President issues an Executive order to conform CIARDS to the newly enacted CSR provisions. Finally, the Agency issues a revision of its regulations to reflect the new provisions. However, when Congress authorized the President to amend CIARDS by Executive order, it did not give up its authority to amend CIARDS by direct legislation. When this

**S-E-C-R-E-T**

S-E-C-R-E-T

occurs, the process is completed in two steps; the Act of Congress and the revision of Agency regulations. An Executive order is not required.

Only two laws resulting in amendments to CIARDS were enacted in F.Y. 1983. Each of them modified Public Law 97-253, the Omnibus Budget Reconciliation Act of 1982, which was approved 8 September 1982 and the provisions of which were discussed briefly in the 1982 annual report.

Public Law 97-346 enacted 15 October 1982 contained mostly technical amendments of a clean-up nature, plus a substantive change permitting use of retirement trust funds to cover administrative expenses incurred in withholding income tax from annuities.

Public Law 97-377 enacted 21 December 1982 amended an annuity-commencing-date provision contained in Public Law 97-253, which directed that annuities other than those based on disability or involuntary separation would begin the first day of the month after separation or occurrence of other qualifying event. To assure that members of Congress separated at the end of a Congress at noon on the third day of January do not have to wait until the first day of February for annuity to begin, Public Law 97-377 makes the provision for delaying the annuity commencing date until the first day of the next month inapplicable to any employee or Member of Congress who serves three days or less in the month of retirement.

S-E-C-R-E-T



S-E-C-R-E-T

CENTRAL INTELLIGENCE AGENCY SPOUSES RETIREMENT EQUITY ACT OF 1982

25X1 Last year's annual report included a very brief description of the CIA Spouses Retirement Equity Act of 1982, enacted by Title VI of Public Law 97-269 approved 27 September 1982. As a direct amendment to CIARDS, this legislation does not require a conforming Executive order, but does need the third step in the amending process, which is the revision of Agency regulations.

25X1 The purpose of this legislation is to provide a measure of protection to former spouses as well as current spouses. A former spouse is a former wife or husband who was married to an Agency employee during at least 10 years of creditable service, at least 5 years of which were spent outside the United States by both the employee and the spouse. When these conditions are met, the new legislation applies to employees of the Agency whether they are under CIARDS or the Civil Service Retirement System, and the provisions follow an Agency employee who transfers to another Government agency.

25X1 During the fiscal year 1983 the Agency used a series of letters and other issuances to do a highly commendable job of informing current employees, annuitants, spouses, and former spouses of the enactment and the provisions of the CIA Spouses Retirement Equity Act of 1982.

By 30 September 1983, 71 individuals had made direct inquiries about their eligibility for benefits under P.L. 97-269. Most of these inquiries have been resolved by correspondence informing the inquirer that all of the requirements are not met. Two former spouses are currently receiving benefits under this new law. Another 7 have been informed that they will be eligible for a share of monthly annuity when the employee retires, and a final 7 will be eligible for a monthly benefit if they survive the retired employee to whom they were formerly married.

S-E-C-R-E-T

- 18 -

**S-E-C-R-E-T**

The Central Intelligence Agency Spouses' Retirement Equity Act will not be easy to administer. It is a complex legislative enactment, particularly because it applies to Agency employees regardless of which retirement system they are under and it follows them if they transfer to another part of the government.

**S-E-C-R-E-T**

- 19 -

S-E-C-R-E-T

SOCIAL SECURITY AMENDMENTS OF 1983

Public Law 98-21 enacted 20 April 1983 and entitled "Social Security Amendments of 1983" does not amend any provision of the Central Intelligence Agency Retirement Act, either directly or by issuance of an Executive order. Nevertheless, it will probably affect CIARDS more drastically than any other law enacted since CIARDS began in 1964.

P.L. 98-21 extends Social Security coverage to all Federal employees, including those of the Agency, who are newly hired on or after 1 January 1984. Coverage is not extended to employees hired before that date.

Extension of Social Security coverage to classes of workers is nothing new. Additional groups have been brought into the system from time to time, but prior to 1983 always for the purpose of improving the lot of the newly-covered group, and nearly always at the urgent request of that group.

The 1983 extension is different. It mandates coverage for a class of employees who did not need Social Security because their need for income protection for old age, for disability, and for survivors in the event of death was more than adequately met by other well-established comprehensive retirement systems. Without Social Security coverage employees of the Agency could rely on the Civil Service Retirement System, and, if they qualified, on the CIA Retirement System to furnish the kinds of protection that employees in private industry expect from Social Security plus, for many employees, a supplemental retirement system.

P.L. 98-21 puts new Federal employees into the Social Security System because their inclusion benefits the system. The S.S. taxes they will pay, along with matching taxes from their employing agencies,

S-E-C-R-E-T

S-E-C-R-E-T

will help to shore up the shaky financial condition of the system which had almost reached a point that it could not pay all of its benefits on time without additional revenues.

It is anticipated and intended that for the long haul new employees will be covered by Social Security plus a supplemental retirement system. However, supplemental systems were not developed and approved in time for an orderly transition. Instead, P.L. 98-21 puts new employees under Social Security but does not change the requirement that they be under Civil Service Retirement. The contribution provisions of CSR have been modified temporarily to recognize the new S.S. coverage

Under P.L. 98-21 as enacted, an Agency employee hired on or after 1 January 1984 would have had 6.7 percent of salary deducted for Social Security plus another 7 percent for Civil Service Retirement. Present employees will continue to contribute 7 percent to either CSR or CIARDS, plus 1.3 percent for the Medicare portion of the S.S. tax. Legislation to reduce temporarily the new employee's CSR contribution to 1.3 percent, with the Government assuming responsibility for the balance, has now been approved by the Congress and signed by the President.

The Agency will probably have an opportunity in the next year or so to express its views concerning a retirement system to supplement Social Security for Government employees generally. The issues involved will include the benefit structure of the system, how its financing is apportioned between employee and employer, and whether the supplemental retirement system will be a part of CSR or a completely separate new system.

S-E-C-R-E-T

S-E-C-R-E-T

Of much greater significance, the Agency will be deeply involved in the question of coordinating Social Security and a supplemental retirement system to serve the objectives now fulfilled by CIARDS. While available alternatives are almost endless, it will be especially important that the alternative finally adopted be one that fully meets the Agency's need for a tool of personnel management that will help to recruit and maintain a youthful and vigorous career staff essential to carrying out the central mission of the Agency.

It will be important that the system:

1. Permit early optional retirement.
2. Mandate retirement at an appropriate age.
3. Continue the authority of the Director to retire employees by involuntary separation.
4. Provide annuity computation formulas that make the above economically feasible.
5. Fix employee contributions at rates that will not impose an undue burden on employees nor detract from the ability of the Agency to recruit in a competitive labor market.

CIARDS accomplishes all of the above with respect to present participants. The system for new employees should be worked out without sacrificing any essential criteria for the sake of budget expediency.

S-E-C-R-E-T

## S-E-C-R-E-T

EXECUTIVE ORDERS

During the fiscal year 1983 only one Executive order was issued to conform CIARDS to legislation already enacted to amend the Civil Service Retirement Act. This is Executive Order 12443 approved 27 September 1983, which reflects changes included in Public Laws 97-253, 97-346, and 97-377.

Public Law 97-253, the Omnibus Budget Reconciliation Act of 1982, was enacted 8 September 1982. It included a number of changes in the Civil Service Retirement Act intended to reduce budget outlays. Some of these benefit reductions were made specifically applicable to the Central Intelligence Agency Retirement Act, while others would apply to CIARDS only after the President issued a conforming Executive order.

Public Law 97-346 enacted 15 October 1982 included so-called technical amendments to Public Law 97-253, to correct and make workable some of the provisions which had been imperfectly conceived and drafted.

Finally, Public Law 97-377 was enacted 21 December 1982 to amend an annuity commencing date provision of Public Law 97-253.

The Agency acted promptly to draft a proposed Executive order to conform CIARDS to appropriate provisions of these three enactments. By letter dated 30 December 1982, only nine days after enactment of the third law, the acting Director of Central Intelligence sent the draft Executive order to the Director, Office of Management and Budget, for action.

Approximately nine months later, on 27 September 1983, Executive Order 12443 was signed by the President.

S-E-C-R-E-T

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AGENCY REGULATIONS

25X1 Agency Regulations [ ] applying to CIARDS have not been  
25X1 amended since 30 September 1981. [ ]

An extensive revision is pending as this report is being written. When issued, the changes will reflect provisions enacted in two laws in F.Y. 1982 and two laws in F.Y. 1983. These are:

Public Law 97-253 enacted 8 September 1982

Public Law 97-269 enacted 27 September 1982

Public Law 97-346 enacted 15 October 1982

25X1 Public Law 97-377 enacted 21 December 1982 [ ]

Public Law 97-269 amended CIARDS directly and required no Executive order. As noted in the preceding section of this report, the Executive order to conform CIARDS to the other three laws was delayed for about nine months after the Agency sent it forward for approval, and was not  
25X1 issued as Executive Order 12443 until 27 September 1983. [ ]

Rather than issue two separate revisions of the regulations, the Agency waited for the Executive order so that one revision could cover all four of the above enactments. The revised regulations could now be  
25X1 approved and issued without further delay. [ ]

**S-E-C-R-E-T**

## S-E-C-R-E-T

## PART III

## STATISTICAL DATA

This part of the report consists basically of a series of statistical tables which show the end results of the Agency's administration of CIARDS. Most of the tables reflect what happened during the fiscal year 1983, with figures shown for other years where a comparison might be helpful in putting numbers into perspective. Discussion is held to a minimum in the belief that the figures speak largely for themselves.

PARTICIPATION IN CIARDS

Discussion in Committee hearings while the CIA Retirement Act of 1964 was pending clearly reflect an intent by the Agency and by the Congress that participation in CIARDS would be limited to about 30 percent of Agency employees. This limit was a matter of mutual understanding rather than a directive or a specific provision of law.

During the early years the Agency designated employees for participation with as little as eighteen months of qualifying service. Employees were later removed from participation if they failed to meet requirements for additional qualifying service. Under this policy, participation exceeded 30 percent by 1971, and reached a peak of 34.6 percent in 1974.

New employees of the Agency are under the Civil Service Retirement System, and their retirement deductions and matching Agency contributions go into the fund for that system. The retirement account of an employee who is designated for CIARDS participation is transferred from the CSR Fund to the CIARDS Fund. When employees were designated

S-E-C-R-E-T



**S-E-C-R-E-T**

for CIARDS participation with eighteen months of qualifying service, and later removed from CIARDS for failure to perform the required additional qualifying service, there was quite a traffic in funds being transferred back and forth. [ ]

In 1976 the Agency changed its policy to require an employee to have at least 60 months of qualifying service before being designated for CIARDS participation. Because 60 months is also the number required for permanent participation, periodic reviews, removal of employees for failure to meet additional service requirements, and back-and-forth transfers of funds were eliminated when the new policy had been fully implemented. [ ]

In fiscal year 1982 the last two CIARDS participants who had less than 60 months of qualifying service were removed from the system. [ ]

Largely because of the policy change described above, the percentage of Agency employees who are CIARDS participants has dropped far below the 1974 peak of 34.6 percent. As of 30 September 1983 participation had dropped to 20.2 percent, down slightly from the 20.4 percent of a year ago. [ ]

Future participation in CIARDS will of course be affected by changes in Agency strength, by the number of employees assigned overseas, and by the duration of overseas assignments. At the present time there is no apparent reason why the proportion of Agency employees participating in CIARDS in the future will vary very much from the present twenty percent. See TABLE 1. [ ]

**DESIGNATIONS AND REMOVALS**

The number of employees designated for CIARDS participation was up sharply, increasing from [ ] in F.Y. 1982 to [ ] in F.Y. 1983. This is

**S-E-C-R-E-T**

- 26 -

S-E-C-R-E-T

more designations than for any year after 1975. The 1976 policy change requiring 60 months of qualifying service for participation reduced the numbers of designations for intervening years. Designations in future years may vary somewhat, depending on the total number of Agency employees and on the number and duration of overseas assignments. [ ]

No employees were removed from the system during F.Y. 1983. There may be removals in future years, but only in the unlikely event that an employee (a) refuses to honor his or her commitment to serve anywhere in the world as required, or (b) exercises the right to be taken out of CIARDS permanently upon the completion of 15 years of Agency service. See TABLE 2. [ ]

#### CIARDS PARTICIPATION BASED ON QUALIFYING SERVICE

The applications of all 23 employees who applied during F.Y. 1983 for CIARDS participation [ ] service were approved. This approval rate of 100 percent is unusual, and is much higher than the 75 percent approval rate for all years combined since the system began. [ ]

Because there were no disapprovals in F.Y. 1983, there were no appeals. Since CIARDS began eighteen years ago, there have been 51 appeals from disapprovals, only 5 of which have been reversed on appeal. See TABLE 3. [ ]

#### CIARDS RETIREMENT ELIGIBILITY

Of the [ ] participants in CIARDS, [ ] percent meet the eligibility requirements for retirement. About [ ] have completed at least 20 years of service and have attained the age of 50 years. They are thus eligible to retire voluntarily with the Director's consent, which has never been withheld except for misconduct when an

S-E-C-R-E-T

- 27 -

## S-E-C-R-E-T

25X1 eligible employee exercises his or her option to retire. [ ]

25X1 Another [ ] percent of participants, have completed at  
least 25 years of service but have not attained age 50. They are  
25X1 eligible for retirement on immediate annuity if involuntarily separated  
from the service. See TABLE 4. [ ]

RETIREMENTS IN FISCAL YEAR 1983

25X1 As has been a fact for several years, retirements under CIARDS  
exceeded those under Civil Service Retirement. Of the [ ] retirements  
under CIARDS, 79 percent were for employees of the Directorates of  
25X1 Operations and Administration. In contrast, only 47 percent of the [ ]  
25X1 CSR retirements were from these two Directorates. See TABLE 5. [ ]

One of the basic purposes of the CIA Retirement and Disability  
System is to permit retirements earlier than generally occur under the  
Civil Service Retirement System. For F.Y. 1983, the average age of  
employees retiring under CIARDS was 53.6 years, while the CSR average  
25X1 was 57.8, or 4.2 years higher. [ ]

25X1 Thirty-two percent of CIARDS retirements were at age 50, another  
32 percent were at ages 51 through 55, and 34 percent were at ages 56  
through 60. See TABLE 6. [ ]

Only 17 Employees were retired under the CIARDS mandatory  
provision at age 60. One employee, separated some years ago, began to  
receive a deferred annuity when he reached the age of 62 years.

25X1 Of the [ ] employees who retired under CIARDS, [ ] percent  
25X1 had completed 25 or more years of service, and [ ] percent had 30  
or more years of service. The average for all retirees was 29.3 years.  
25X1 See TABLE 7. [ ]

S-E-C-R-E-T

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S-E-C-R-E-T

PART IV

FINDINGS AND CONCLUSION

FINDINGS

1. For the seventh consecutive year participation of Agency employees in the Central Intelligence Agency Retirement and Disability System has been less than the thirty percent originally estimated by the Congressional Committees and by the Agency. As of 30 September 1983 participation was down to 20.2 percent, the lowest since the system was first organized in 1965.
2. Although only one employee in five is a participant, more than half of all Agency retirements are under CIARDS.
3. One of the original objectives of CIARDS was to serve as a vehicle for the early retirement of employees essential to the success of the intelligence mission of the Agency, at ages younger than those normally experienced under the Civil Service Retirement System. That objective is well served, as shown by the fact that CIARDS retirees for F.Y. 1983 averaged more than four years younger than CSRS retirees.
4. The CIA Retirement Board and its Staff experienced an unusually high rate of turnover in 1983, with replacement of its Chairman, three other members, and its Executive Secretary. The fifth member of the Board was appointed in April of 1981.

Because of this recent turnover, the Board will have to place an added measure of responsibility on the Legal Advisor and the Technical Advisor, and greater reliance on the effort and diligence of the new Executive Secretary to help the Board continue to adhere strictly to existing Agency policies.

S-E-C-R-E-T

S-E-C-R-E-T

5. There were no changes in the law that will have any bearing on the exercise of discretion to designate Agency employees for participation in CIARDS.

The legislation which mandates Social Security coverage for Agency employees hired on or after 1 January 1984 will require major changes in both CIARDS and CSRS to coordinate them with Social Security. It is essential that the new system continue to serve the Agency needs now met by CIARDS.

6. Executive Order 12443 issued 27 September 1983 conforms CIARDS to amendatory legislation enacted 8 September 1982, 15 October 1982, and 21 December 1982. The nine-month delay between the last amendment and issuance of the Executive order occurred after the draft order left the Agency, and was beyond the control of the Agency.
7. The CIARDS regulations were not revised during the year. Revisions to reflect legislation enacted in September of 1982 have not yet been issued. This revision was delayed pending issuance of Executive Order 12443 which was finally approved 27 September 1983, but the revisions are still pending as this is written.
8. The Agency is carrying out its responsibilities under the Central Intelligence Agency Spouses' Retirement Equity Act of 1982 in a highly commendable fashion. Appropriate notices have been given to persons potentially affected, and individual inquiries have been handled with dispatch.

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CONCLUSION

During the fiscal year ending 30 September 1983 recommendations made by the CIA Retirement Board and decisions made by the Director of Personnel under authority delegated to him by the Director of Central Intelligence were in strict observance of the law, the regulations, and established policies of the Agency. Deliberations of the Board as reflected in verbatim transcripts of the seven meetings held during the year reflect an affirmative intent to administer the Central Intelligence Agency Retirement and Disability System as a system limited to employees whose services are essential to carrying out the intelligence mission of the Agency.

Twenty percent of Agency employees are participants in CIARDS. This is considerably less than the limit of about thirty percent originally contemplated by the Agency and by the Congress.

In summary, the Agency has continued during 1983 to administer CIARDS strictly in compliance with applicable laws, regulations and Agency policies. The important tasks of designating employees for CIARDS participation and of determining what service is qualifying have been carried out in a manner wholly consistent with the intent of Congress. No deviations or exceptions have been found after thorough review.

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## AGENCY PARTICIPATION IN RETIREMENT SYSTEMS

### CIARDS Participation: 20% or 50%?

While only 20% of our employees participate in CIARDS, it is true that over half of our "full career employees" (those who remain working for the Agency until retirement) will retire under CIARDS. This is explained by the fact that up to 25% of current Agency CSRS employees can be expected to qualify for CIARDS and nearly 50% of those remaining will separate before achieving retirement eligibility under CSRS. This suggests that only 40% of those employees currently participating in the Civil Service Retirement System will retire under that system while working for the Agency.

By contrast, 95% of our CIARDS qualified participants stay on to retire under CIARDS (see chart 1). Consequently, we can expect at least as many retirements under CIARDS as under CSRS.

### Current Experience:

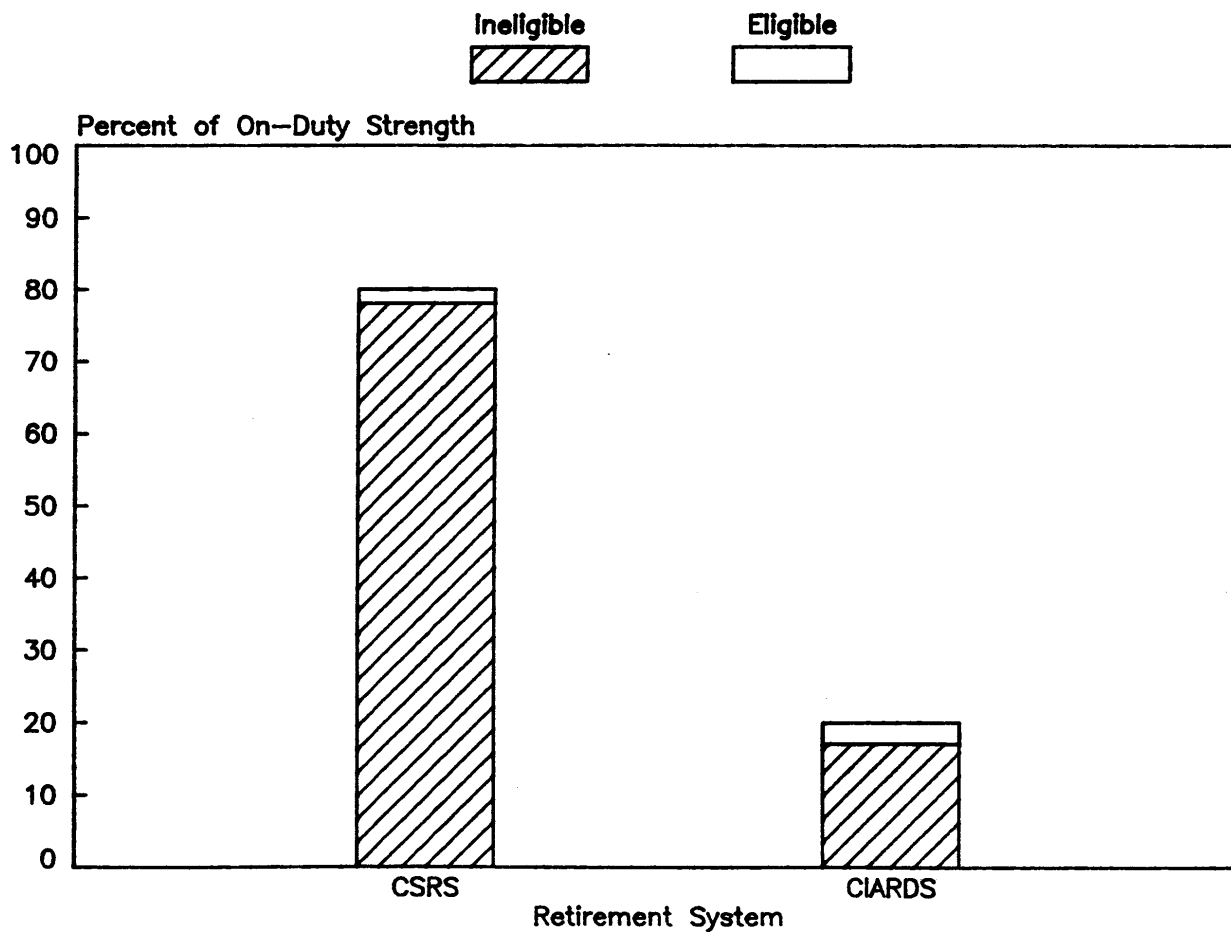
The stability of this projection is demonstrated by our current experience. Although there are 4 times as many Agency employees participating in CSRS, there are actually 50% more CIARDS participants eligible to retire (see chart 2). Since roughly 20% of the CIARDS participants eligible to retire in a given year actually do so (vs. 30% of eligible CSRS participants), the numbers actually retiring each year from the two systems are comparable.

### Summary:

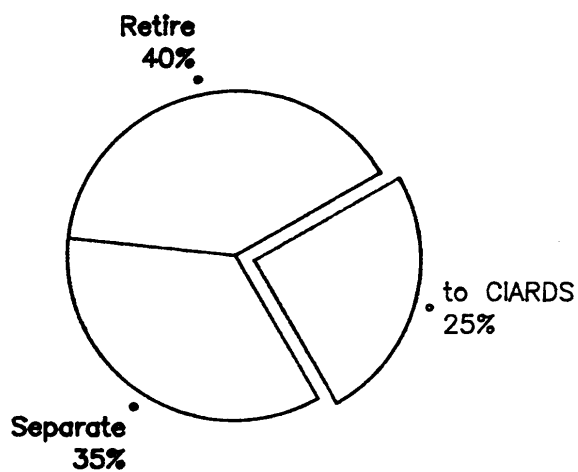
In the final analysis it appears that 1/3 of our employees ultimately retire under CIARDS, 1/3 under CSRS, and the remaining third separate from the Agency prior to retirement (see chart 3). This underlying reality is hidden by the current CIARDS participation level of 20% which is artificially small because of the time required to qualify for CIARDS.



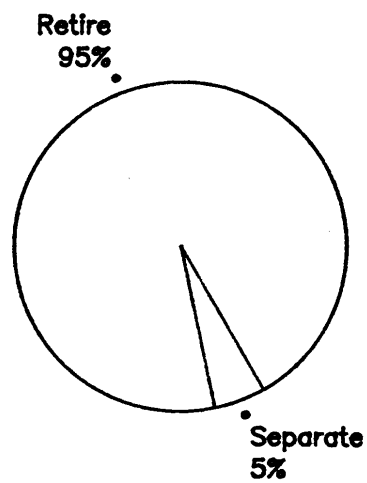
## AGENCY RETIREMENT ELIGIBILITY as of March 1985



## LONG TERM SEPARATION PROJECTIONS

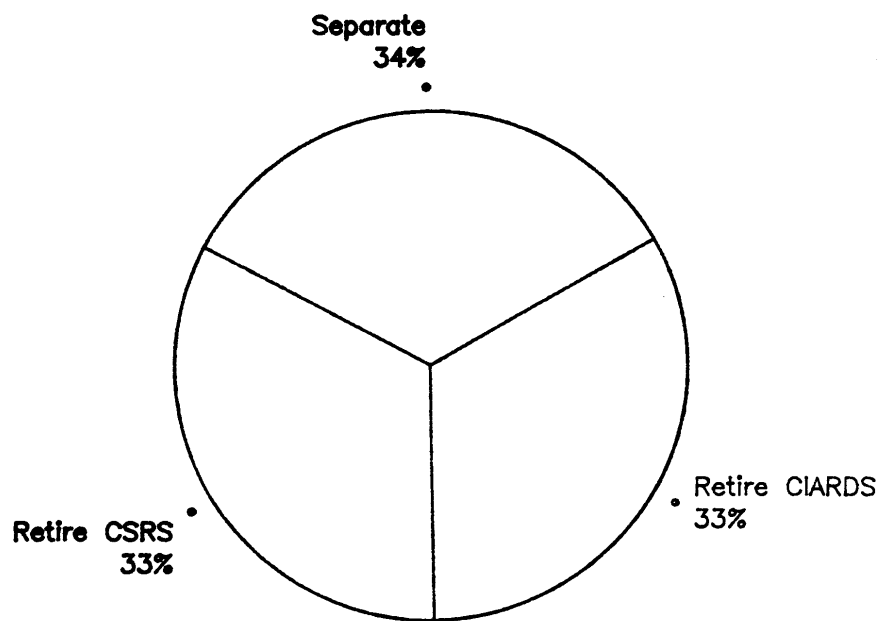


CSRS  
Participants



CIARDS  
Participants

## LONG TERM SEPARATION PROJECTIONS



Current Employees

## FORD/OAKAR REGULAR CIVIL SERVICE

BASIC PROVISIONS

- ° Age 55 Retirement
- ° 1% accrual X years of service X high 3
- ° Supplemental Annuity from retirement to age 62
- ° Thrift Plan - Maximum 10% employee contribution with government matching one half up to 6% of employee contributions (Maximum gov't contribution 3%)
- ° Full COLA

AGENCY CSRS EMPLOYEES AGE 55 WITH 30 YEARS SERVICEUNDER FORD/OAKAR

FINAL SALARY	<u>\$30,000</u>	<u>\$45,000</u>	<u>\$60,000</u>	<u>\$75,000</u>
REPLACEMENT RATE AT 55				
Pension	28%	28%	28%	28%
Supplement	16%	12%	9%	8%
Total	44%	40%	37%	36%
Thrift Plan	14%	14%	14%	14%
Total *	58%	54%	51%	50%
Current CSRS	53%	53%	53%	53%
REPLACEMENT RATE AT 62				
Pension	28%	28%	28%	28%
OASDI	17%	13%	10%	8%
Thrift Plan	14%	14%	14%	14%
Total	59%	55%	52%	50%
* Employee Contribution to Achieve Total:				
Social Security		5.7%		
Basic Pension Plan		1.3%		
Thrift Plan		<u>6.0%</u>		
TOTAL		13.0%		

## ROTH/STEVENS-SPECIAL CATEGORIES

BASIC PROVISIONS

- ° Age 50 Retirement
- ° 1% Accrual X years of service X high 5
- ° Supplemental annuity from Retirement to age 62
- ° Thrift Plan - Maximum 10% employee contribution with government fully matching up to 5% of employee contribution (Maximum gov't contribution 5%)
- ° Reduced COLA

CIARDS EMPLOYEES RETIRING AT AGE 50 WITH 25 YEARS OF SERVICEUNDER SPECIAL CATEGORY PROVISIONS

FINAL SALARY	<u>\$30,000</u>	<u>\$45,000</u>	<u>\$60,000</u>	<u>\$75,000</u>
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## REPLACEMENT RATE AT 50

Pension Plan	22%	22%	22%	22%
Supplement	14%	10%	8%	6%
Total	36%	32%	30%	28%
Thrift Plan	9%	9%	9%	9%
Total*	45%	41%	39%	37%
Current CIARDS	47%	47%	47%	47%

## REPLACEMENT RATE AT 62

Pension Plan	16%	16%	16%	16%
OASDI	15%	11%	9%	7%
Thrift Plan	9%	9%	9%	9%
Total	40%	36%	34%	32%

## \*Employee Contribution to Achieve Total:

Social Security	5.7%
Thrift Plan	<u>5.0%</u>
TOTAL	10.7%

## FORD/OAKAR-SPECIAL CATEGORIES

BASIC PROVISIONS

- ° Age 50 Retirement
- ° 1.7% Accrual (1st 20 years); 1.5% (after 20) X years of service X high 3
- ° Supplemental annuity from Retirement to age 62
- ° Thrift Plan - Maximum 10% employee contribution with government matching one half up to 6% of employee contribution (Maximum gov't contribution 3%)
- ° Full COLA

CIARDS EMPLOYEES RETIRING AT AGE 50 WITH 25 YEARS OF SERVICEUNDER SPECIAL CATEGORY PROVISIONS

FINAL SALARY	<u>\$30,000</u>	<u>\$45,000</u>	<u>\$60,000</u>	<u>\$75,000</u>
REPLACEMENT RATE AT 50				
Pension Plan	39%	39%	39%	39%
Supplement	14%	10%	8%	6%
Total	53%	49%	47%	45%
Thrift Plan	9%	9%	9%	9%
Total*	62%	58%	56%	54%
Current CIARDS	47%	47%	47%	47%
REPLACEMENT RATE AT 62				
Pension Plan	39%	39%	39%	39%
OASDI	15%	11%	9%	7%
Thrift Plan	9%	9%	9%	9%
Total	63%	59%	57%	55%

\*Employee Contribution to Achieve Total:

Social Security	5.7%
Basic Pension Plan	1.8%
Thrift Plan	<u>6.0%</u>
TOTAL	13.5%

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**CIARDS EMPLOYEES RETIRING AT AGE 50 WITH 25 YEARS OF SERVICE**

**SPECIAL CATEGORY UNDER OPTION A**

<b>Final Salary</b>	<b>\$15,000</b>	<b>\$30,000</b>	<b>\$45,000</b>	<b>\$60,000</b>	<b>\$75,000</b>
<b>Replacement Rate at 50</b>					
<b>Pension Plan</b>	<b>22%</b>	<b>22%</b>	<b>22%</b>	<b>22%</b>	<b>22%</b>
<b>Supplement</b>	<b>18%</b>	<b>14%</b>	<b>10%</b>	<b>8%</b>	<b>6%</b>
<b>Total</b>	<b>40%</b>	<b>36%</b>	<b>32%</b>	<b>30%</b>	<b>28%</b>
<b>Maximum Capital Accumulation Plan</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>
<b>Total</b>	<b>49%</b>	<b>45%</b>	<b>41%</b>	<b>39%</b>	<b>37%</b>
<b>Present CIARDS</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>
<b>Replacement Rate at 62</b>					
<b>Pension Plan</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>
<b>OASDI</b>	<b>19%</b>	<b>15%</b>	<b>11%</b>	<b>9%</b>	<b>7%</b>
<b>Total</b>	<b>35%</b>	<b>31%</b>	<b>27%</b>	<b>25%</b>	<b>23%</b>
<b>Maximum Capital Accumulation Plan</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>
<b>Total</b>	<b>44%</b>	<b>40%</b>	<b>36%</b>	<b>34%</b>	<b>32%</b>

**CIARDS EMPLOYEE RETIRING AT AGE 50 WITH 25 YEARS OF SERVICE**

**SPECIAL CATEGORY UNDER OPTION A  
AND 1.3% ACCRUAL RATE**

<b>Final Salary</b>	<b>\$15,000</b>	<b>\$30,000</b>	<b>\$45,000</b>	<b>\$60,000</b>	<b>\$75,000</b>
<b>Replacement Rate at 50</b>					
<b>Pension Plan</b>	<b>28.6%</b>	<b>28.6%</b>	<b>28.6%</b>	<b>28.6%</b>	<b>28.6%</b>
<b>Supplement</b>	<b>18%</b>	<b>14%</b>	<b>10%</b>	<b>8%</b>	<b>6%</b>
<b>Total</b>	<b>46.6%</b>	<b>42.6%</b>	<b>38.6%</b>	<b>36.6%</b>	<b>34.6%</b>
<b>Maximum Capital Accumulation Plan</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>
<b>Total</b>	<b>55.6%</b>	<b>51.6%</b>	<b>47.6%</b>	<b>45.6%</b>	<b>43.6%</b>
<b>Present CIARDS</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>	<b>47%</b>
<b>Replacement Rate at 62</b>					
<b>Pension Plan</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>
<b>OASDI</b>	<b>19%</b>	<b>15%</b>	<b>11%</b>	<b>9%</b>	<b>7%</b>
<b>Total</b>	<b>40%</b>	<b>36%</b>	<b>32%</b>	<b>30%</b>	<b>28%</b>
<b>Maximum Capital Accumulation Plan</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>
<b>Total</b>	<b>49%</b>	<b>45%</b>	<b>41%</b>	<b>39%</b>	<b>37%</b>



## CSRS EMPLOYEES AGE 55 WITH 30 YEARS SERVICE

## SENATE OPTION B

Final Salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
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## Replacement rate at 55

Pension	27%	27%	27%	27%	27%
Supplement	0%	0%	0%	0%	0%
Total	27%	27%	27%	27%	27%
Full CAP	13%	13%	13%	13%	13%
Total	40%	40%	40%	40%	40%

Current CSRS	53%	53%	53%	53%	53%
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## Replacement rate at 62

Pension	24%	24%	24%	24%	24%
OASDI	22%	17%	13%	10%	8%
Total	46%	41%	37%	34%	32%
Full CAP	13%	13%	13%	13%	13%
Total	59%	54%	50%	47%	45%

## CSRS EMPLOYEE AGE 55 WITH 30 YEARS SERVICE

## SENATE OPTION B

## SUPPLEMENTAL BENEFIT FROM AGE 55 TO 62

Final Salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
Replacement rate at 55					
Pension	27%	27%	27%	27%	27%
Supplement	22%	16%	12%	9%	8%
Total	49%	43%	39%	36%	35%
Full CAP	13%	13%	13%	13%	13%
Total	62%	56%	52%	49%	48%
Current CSRS	53%	53%	53%	53%	53%
Replacement rate at 62					
Pension	24%	24%	24%	24%	24%
OASDI	22%	17%	13%	10%	8%
Total	46%	41%	37%	34%	32%
Full CAP	13%	13%	13%	13%	13%
Total	59%	54%	50%	47%	45%

## CSRS EMPLOYEE AGE 55 WITH 30 YEARS SERVICE

## SENATE OPTION B

## SUPPLEMENTAL BENEFIT FROM AGE 55 TO 62

## OPTION A CAP

Final Salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
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## Replacement rate at 55

Pension	27%	27%	27%	27%	27%
Supplement	22%	16%	12%	9%	8%
Total	49%	43%	39%	36%	35%
Full CAP	15%	15%	15%	15%	15%
Total	64%	58%	54%	51%	50%

Current CSRS	53%	53%	53%	53%	53%
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## Replacement rate at 62

Pension	24%	24%	24%	24%	24%
OASDI	22%	17%	13%	10%	8%
Total	46%	41%	37%	34%	32%
Full CAP	15%	15%	15%	15%	15%
Total	61%	56%	52%	49%	47%



**EMPLOYER COST OF PROPOSED VARIATIONS - CSRS**

Stevens-Roth Option B	21.9%
Supplement from 55 to 62	1.5%
Option A CAP	1.5%
TOTAL	24.9%